WE CLAIM:

1. A method for processing a futures contract comprising:

defining an eroding futures contract having a defined size and a plurality of defined final settlement events, wherein the contract specifies a period of time over which the plurality of defined final settlement events are scheduled to occur;

executing trades between buyers and sellers of the eroding futures contract; and

upon occurrence of one of the final settlement events, finally settling part of the futures contract.

2. The method of claim 1 further comprising executing trades involving a remaining balance of the eroding futures contract which has not finally settled.

3. The method of claim 1 further comprising clearing a finally settled portion of the eroding futures contract after a defined final settlement event.

4. The method of claim 1 further comprising generating reports reflecting activity related to the trading, settlement and final settlement of the eroding futures contract.

5. The method of claim 1 wherein the defined period corresponds to a specific week.

6. The method of claim 1 wherein the defined period corresponds to a specific month.

7. The method of claim 1 wherein finally settling comprises reducing an open position value of the contract by an amount equal to a quantity of the contract that was finally settled.

8. The method of claim 1 wherein the eroding futures contract comprises a plurality of component contracts and finally settling comprises reducing an open position value of the contract by an amount equal to a quantity of contracts that were finally settled.

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9.   The method of claim 1 wherein each final settlement event occurs at a contract-specified settlement time and a final settlement occurs at each settlement time.

10.   The method of claim 1 wherein the eroding futures contract is a fixed quantity futures contract.

11.   The method of claim 1 wherein the eroding futures contract is a variable quantity futures contract.

12.   A method for mitigating risk related to price volatility of a commodity comprising:

establishing a futures position involving a futures contract wherein the futures contract specifies a starting size, a settlement period, and a specified delivery location, wherein the defined settlement period covers a range of time; and

during the defined settlement period, finally settling a portion of the variable quantity futures contract.

13.   The method of claim 12 further comprising clearing the finally settled portion of the futures contracts.

14.   The method of claim 12 further comprising trading an unsettled balance of the finally settled portion of the futures contract.

15.   The method of claim 12 wherein the defined period comprises a specific week.

16.   The method of claim 12 wherein the defined period comprises a specific month.

17.   The method of claim 12 wherein the act of finally settling comprises cash settlement.

18.   The method of claim 12 wherein the act of finally settling comprises physical delivery.

19.   An eroding futures contract comprising:

an agreement specifying a starting open position size, a term, and a plurality of contract increments;

a plurality of final settlement events defined to occur during the contract term, wherein each contract increment is associated with at least one final settlement event.

20.   The eroding futures contract of claim 19 wherein occurrence of each final settlement event reduces the open position size.

21.   The eroding futures contract of claim 19 wherein each contract increment is able to be finally settled and cleared independent of any other contract increment.

22.   The eroding futures contract of claim 19 wherein the starting open position size is consistent from month-to-month.

23.   The eroding futures contract of claim 19 wherein the starting open position size is variable from month-to-month.

24.   The eroding futures contract of claim 19 wherein the contract specifies an initial margin and the initial margin is reduced upon occurrence of each final settlement event.

25.   The eroding futures contract of claim 19 wherein the futures contract is tradeable after a final settlement event.